

Rates and Regulatory Affairs
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April 27, 2006

Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 Evergreen Park Drive, S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

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RECORDS MANAGEMENT
06 MAY - 1 AM 8:34
STATE OF WASH
UTIL AND TRANSP
COMMISSION

Re: **ANNUAL COMMISSION BASED REPORT FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005**

Dear Ms. Washburn:

Enclosed are an original and two copies of the Company's Annual Commission Based Report without workpapers for the 12 months ended December 31, 2005. This Report is submitted under WAC 480-90-208(2). Workpapers will be provided under separate cover.

Please feel free to call me if you have any questions.

Sincerely,



Natasha Siores
Senior Rates Analyst

NCS/kcm
enclosures



NW Natural

REPORT:

**ANNUAL COMMISSION BASIS REPORT
WITHOUT WORKPAPERS
(for the 12 months ended December 31, 2005)**

PREPARED BY:
NATASHA SIORES
SENIOR RATES ANALYST
RATES & REGULATORY AFFAIRS

Washington Annual Commission Basis Report
 Test Year Based on Twelve Months Ended December 31, 2005

Line No.		Test Year Results (a)	Adjustments (b)	Test Year Adjusted (c)
	Operating Revenues			
1	Sale of Gas	\$78,462,459	\$5,491,519	\$83,953,978
2	Transportation	709,701	0	709,701
3	Miscellaneous Revenues	278,243	0	278,243
4	Total Operating Revenues	79,450,403	5,491,519	84,941,922
	Operating Revenue Deductions			
5	Gas Purchased	47,752,334	5,529,080	53,281,414
6	Uncollectible Accrual for Gas Sales	276,374	20,501	296,875
7	Other Operating & Maintenance Expenses	10,042,916	(648,098)	9,394,818
8	Total Operating & Maintenance Expense	58,071,624	4,901,483	62,973,107
9	Federal Income Tax	2,233,190	25,414	2,258,604
10	Property Taxes	1,153,862	0	1,153,862
11	Other Taxes	3,773,224	222,516	3,995,740
12	Depreciation & Amortization	6,186,360	0	6,186,360
13	Total Operating Revenue Deductions	71,418,260	5,149,413	76,567,674
14	Net Operating Revenues	\$8,032,142	\$342,106	\$8,374,248
15	Total Rate Base	\$112,728,364	\$9,079,632	\$121,807,996
16	Rate of Return	7.13%		6.88%
17	Return on Common Equity	7.60%		7.11%